

of war or national emergency, and funds agency infrastructure, support staff and program initiatives.

U.S. Merchant Marine Academy (USMMA)

The FY 2020 request of \$81.9 million for the USMMA, a decrease of \$6.6 million from the FY 2019 enacted, will provide mission-essential program requirements to support the highest standards of excellence to educate and train the next generation of seagoing officers and maritime leaders who will also serve as officers in our active and reserve Armed Forces. Funding will support \$77.9 million for operating expenses, and \$4 million for the Capital Asset Management Program (CAMP).

To maintain the Academy's training and campus infrastructure, resources are requested for the mandated drydock, maintenance, overhaul, and inspection of the T/V KINGS POINTER to ensure the vessel remains a safe operating platform for Midshipmen training and standards of training Certification and Watchkeeping (STCW) qualification. Additionally, funding for CAMP will support facilities maintenance, repairs and equipment (FMRE) requirements as the Academy embarks on an aggressive plan to renovate the facilities and Academic buildings, as well as address deferred maintenance remediation.

State Maritime Academies (SMAs)

For FY 2020, \$242.3 million is requested, a decrease of \$102.9 million from the FY 2019 enacted, to provide federal assistance to the six SMAs as they educate and train mariners and future leaders to support the U.S. marine transportation infrastructure. Funding includes \$205 million for the School Ship Replacement Program for the design and construction of a new smaller capacity school ship scaled to meet the at sea training needs of the smaller SMAs. MARAD training ships are the primary means by which more than two-thirds of unlimited credentialed, U.S. mariners are trained each year. The training ship is an essential piece of each SMA training program and curricula. The new school ship will serve a critical role in providing the necessary at-sea training that cadets and midshipmen need to qualify for unlimited merchant mariner credentials. It will also provide a modern, functional and environmentally compliant vessel, which meets increased domestic and international training requirements.

Funding is also requested at \$30.1 million for school ship maintenance and repair to maintain the six current SMA training ships in compliance with the U.S. Coast Guard (USCG) and American Bureau of Shipping requirements, and training ship capacity-sharing measures to allow uninterrupted availability of mandatory at sea training opportunities for SMA cadets. Currently, there is insufficient at-sea training capacity and the funding for a school ship capacity training plan will provide critical continuous availability of the USCG required sea-time training. The training ships are the single most important element provided by the Federal Government to enable these schools to operate as maritime academies, and graduate students qualified to take the USCG licensing examination.

MARAD Operations and Programs

For FY 2020, \$53.3 million is requested for MARAD Operations and Programs to support Headquarters Operations, a decrease of \$7.6 million from the FY 2019 enacted level. Funding provides the resources for agency mission and administrative infrastructure, including operating expenses and professional staff working on MARAD program initiatives.

MARITIME ADMINISTRATION
FY 2020 Budget Request Summary
(Dollars in Thousands)

<u>ACCOUNT/PROGRAM</u>	<u>FY 2018 ACTUAL</u>	<u>FY 2019 ANNUALIZED CR</u>	<u>FY 2019 ENACTED</u>	<u>FY 2020 REQUEST</u>
OPERATIONS & TRAINING	<u>\$513,642</u>	<u>\$513,642</u>	<u>\$149,442</u>	<u>\$377,497</u>
U.S. Merchant Marine Academy	<u>121,000</u>	<u>121,000</u>	<u>88,593</u>	<u>81,944</u>
Academy Operations	69,000	69,000	70,593	77,944
Capital Asset Management Program	<u>52,000</u>	<u>52,000</u>	<u>18,000</u>	<u>4,000</u>
Capital Improvements	45,000	45,000	10,000	-
Facilities Maintenance and Repair, Equipment	7,000	7,000	8,000	4,000
State Maritime Academies	<u>332,200</u>	<u>332,200</u>	<u>[345,200]</u> ^{3/}	<u>242,280</u> ^{3/}
Student Incentive Program	2,400	2,400	[2,400]	2,400
Direct SMA Support	6,000	6,000	[6,000]	3,000
Fuel Assistance Payments	1,800	1,800	[3,800]	1,800
Training Vessel Sharing	-	-	[8,000]	-
School Ship M&R	22,000	22,000	[25,000]	30,080
National Security Multi-mission Vessel Program	300,000	300,000	[300,000]	-
School Ship Replacement Program	-	-	-	205,000
MARAD Operations & Programs	<u>60,442</u>	<u>60,442</u>	<u>60,849</u>	<u>53,273</u>
Headquarters Operations	50,442 ^{1/}	50,442 ^{1/}	50,849	53,273
Maritime Program Initiatives	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	-
Maritime Environment & Technology Assistance	3,000	3,000	3,000	-
America's Marine Highways	7,000	7,000	7,000	-
STATE MARITIME ACADEMY OPERATIONS ^{3/}	-	-	345,200	[242,280]
ASSISTANCE TO SMALL SHIPYARDS	20,000	20,000	20,000	-
SHIP DISPOSAL PROGRAM	<u>116,000</u>	<u>116,000</u>	<u>5,000</u> ^{4/}	<u>5,000</u>
Ship Disposal	6,000	6,000	-	2,000
NS SAVANNAH	3,000	3,000	-	3,000
NS SAVANNAH DECON	107,000	107,000	-	-
MARITIME SECURITY PROGRAM ^{2/}	300,000	300,000	300,000	300,000
MARITIME GUARANTEED LOAN PROGRAM	<u>30,000</u>	<u>30,000</u>	<u>3,000</u>	-
Administrative Expenses	3,000	3,000	3,000	-
Loan Guarantees	27,000	27,000	-	-
PORT INFRASTRUCTURE DEVELOPMENT PROGRAM	-	-	292,730	-
SUBTOTAL	979,642	979,642	1,115,372	682,497
OPERATIONS & TRAINING EMERGENCY RELIEF ^{6/}	10,000	-	-	-
GRAND TOTAL	<u>\$989,642</u>	<u>\$979,642</u>	<u>\$1,115,372</u>	<u>\$682,497</u>

1/ Includes \$1 million for contract support and/or additional personnel to administer, manage, and oversee the NSMVP new construction contract.

2/ The Maritime Administration proposes a cancellation of \$25 million in Maritime Security Program prior-year unobligated balances in the FY 2020 Congressional Budget request.

3/ The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

4/ The FY 2019 Consolidated Appropriations Act, provided \$5 million lump sum for the Ship Disposal Program account to fund SAVANNAH and Ship Disposal recycling contracts.

5/ Funding for Training Vessel Sharing is requested under the School Ship M&R request for FY 2020.

6/ Includes \$10 million supplemental funding from the Further Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (P.L. 115-123).

EXHIBIT II-6

**SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

State Maritime Academies 1/	FY 2018 Actual	FY 2019 Annualized CR	FY 2019 Enacted 1/	Baseline Changes								FY 2020 Baseline Estimate	Program Increases/ Decreases	FY 2020 Request 1/
				Annualization of 2019 Pay Raises	Annualization of 2019 FTE	2020 Pay Raises	One Compensable Days (262 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation	Other Non-Discretionary Increases			
PERSONNEL RESOURCES (FTE)														
Direct FTE	-	-	-		-							-	-	-
PROGRAMS														
Student Incentive Program	\$2,400	\$2,400	\$2,400	-	-	-	-	-	-	-	-	\$2,400	-	\$2,400
Direct SMA Payment	6,000	6,000	6,000	-	-	-	-	-	-	-	-	6,000	-3,000	3,000
Fuel Assistance Payments	1,800	1,800	3,800	-	-	-	-	-	-	-	-	3,800	-2,000	1,800
Training Vessel Sharing	-	-	8,000	-	-	-	-	-	-	-	-	8,000	-8,000	-
School Ship M&R	22,000	22,000	25,000	-	-	-	-	-	-	-	-	25,000	5,080	30,080
National Security Multi-Mission Vessel Program	300,000	300,000	300,000	-	-	-	-	-	-	-	-	300,000	-300,000	-
School Ship Replacement Program	-	-	-	-	-	-	-	-	-	-	-	-	205,000	205,000
TOTAL	\$332,200	\$332,200	\$345,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$345,200	-\$102,920	\$242,280

1/ The FY 2019 Consolidated Appropriations Act (P.L. 116-6) enacted on February 15, 2019 provided funding for the six State Maritime Academies (SMAs) under a new "State Maritime Academy Operations" appropriations account. The enactment of this bill occurred during final production of the FY 2020 Budget and therefore funding to support the SMAs in this request remains under MARAD's Operations and Training (O&T) appropriation.

OPERATIONS AND TRAINING

For necessary expenses of operations and training activities authorized by law, \$377,497,000, of which \$205,000,000 shall remain available until expended for the school ship replacement program, including funds for construction, planning, administration, and design of new school ships to replace training ships in the National Defense Reserve Fleet, and of which \$30,080,000 shall remain available until expended for maintenance, repair, life extension, capacity improvement of National Defense Reserve Fleet training ships, and costs associated with the school ship sharing program authorized by 46 U.S.C. 51504(g)(3) as determined by the Secretary, and of which \$2,400,000 shall remain available through September 30, 2021, for the Student Incentive Program at State Maritime Academies, and of which \$1,800,000 shall remain available until expended for training ship fuel assistance payments, and of which \$3,000,000 shall be available for direct payments to State Maritime Academies, and of which \$4,000,000 shall remain available until expended for facilities maintenance and repair, equipment, and capital improvements at the United States Merchant Marine Academy: *Provided*, That of the \$205,000,000 made available for the school ship replacement program, up to \$5,000,000 shall be available for the design of new school ships, and upon completion of such design the remainder shall be available for the construction, planning, and administration of such school ships.

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

Agency: DEPARTMENT OF TRANSPORTATION

Bureau: MARITIME ADMINISTRATION

Heading: Operations and Training

FY 2019
Appendix Page: 906

FY 2019
Pending Request: \$152,428,000

Proposed Amendment: \$300,000,000

Revised Request: \$452,428,000

(In the appropriations language under the above heading, delete "\$152,428,000" and substitute \$452,428,000, of which \$300,000,000 shall remain available until expended to acquire from any source, and to convert as necessary, used vessels suitable for school ship service to replace training ships in the National Defense Reserve Fleet and for related expenses, including administrative expenses; and add at the end the following new provisos: Provided further, That any unobligated balances previously appropriated for the National Security Multi-Mission Vessel program or vessel design under this heading may be transferred to and merged with this appropriation, to remain available until expended for the same purposes as the \$300,000,000 described under this heading: Provided further, That the Maritime Administrator shall ensure that the conversion or modernization of any vessel purchased using amounts provided under this heading shall occur in a shipyard located in the United States on terms and conditions as determined by the Maritime Administrator: Provided further, That the Maritime Administrator shall select such vessels to be purchased under such terms and conditions as the Maritime Administrator in his discretion shall determine.)

This amendment would provide an additional \$300 million to the Maritime Administration's Operations and Training account for the School Ship Replacement Program. The additional funds would support the one-time procurement and retrofitting of two used cargo ships to replace aging training ships provided to the State Maritime Academies. Specifically, this funding would be used to replace the TS *Empire State*, currently assigned to the State University of New York Maritime College, and TS *Kennedy*, currently assigned to the Massachusetts Maritime Academy. These resources would reflect the maximum Federal commitment; any additional resources necessary for two replacement training ships would be achieved through a cost-share.

DETAILED JUSTIFICATION

STATE MARITIME ACADEMIES

What is the Request and What Funds Are Currently Spent on the Program?

FY 2018 State Maritime Academies Budget Request (\$000)

Program Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Difference from FY 2017
Student Incentive Program	2,400	2,395	2,400	5
Direct SMA Support	3,000	2,994	3,000	6
Fuel Assistance Payments	1,200	1,198	0	-1,198
Schoolship Maintenance & Repair	22,000	21,958	22,000	42
Training Ship Replacement	5,000	4,990	0	-4,990
Total	\$33,600	\$33,536	\$27,400	\$-6,136

For FY 2018, \$27.4 million is requested for the State Maritime Academies (SMAs). This request provides Federal assistance to the SMAs for education and training of merchant mariners in support of national security requirements and the U.S. marine transportation system. The budget request provides \$2.4 million for the student tuition assistance program, \$3.0 million for direct payments divided equally among each of the six SMAs, and \$22.0 million for maintenance and repair of the six SMA training ships.

What is this Program and Why is it Necessary?

This program provides Federal assistance to the SMAs, to help educate and train mariners and leaders to support the U.S. marine transportation system. Having a viable U.S. Merchant Marine is essential to the security of the United States by ensuring that the nation has its own capacity to deploy and resupply its armed forces overseas. A vibrant and trained U.S. Merchant Marine helps assure critical vessels, jobs, and skills needed for the national transportation infrastructure, and assures the availability of U.S. citizens to meet the maritime needs of the nation.

The Merchant Marine Act of 1936, as amended, is the principle Act governing the functions of the Maritime Administration (MARAD), and provides authorities to further the development and maintenance of an adequate and well-balanced American merchant marine to promote the commerce of the United States, and aid in the national defense. This Act further declares that the

United States shall have a merchant marine composed of the best-equipped, safest and most suitable types of U.S. constructed vessels, and crewed with trained and efficient citizen personnel.

In accordance with 46 U.S.C. § 1103, MARAD is authorized to provide education and training for U.S. citizens in the interest of the safe and efficient operation of the merchant marine, and provides for cooperation with the U.S. Navy and SMAs to this end. To fulfill one of MARAD's key statutory mandates, 46 U.S.C. § 51501 *et seq.*, MARAD provides support to the six SMAs, which produce well-educated, highly trained, and U.S. Coast Guard (USCG) credentialed officers in the U.S. Merchant Marine. These graduates promote the commerce of the United States and aid in the national defense, by serving in the merchant marine and U.S. Armed Forces.

The six SMAs provide students, from across the socio-economic spectrum, an affordable, high quality – Nationally recognized – education, and the necessary training to become USCG credentialed officers in the U.S. Merchant Marine. These six SMAs are: California Maritime Academy in Vallejo, California; Great Lakes Maritime Academy in Traverse City, Michigan; Maine Maritime Academy in Castine, Maine; Massachusetts Maritime Academy in Buzzards Bay, Massachusetts; the State University of New York (SUNY) Maritime College in the Bronx, New York; and Texas A&M Maritime Academy in Galveston, Texas. While most SMAs are associated with their state governed university systems, they are all regional academies providing the unique maritime learning opportunities to broader regional areas and partner states.

The SMA request contains two major program areas, education and training, comprised of three supporting program components:

1. Direct support to each of the six SMAs (education);
2. Direct assistance to SMA students – Student Incentive Program (SIP) (education); and
3. Training ship maintenance and repair (training).

The Direct SMA Support program provides assistance to the six SMAs for maintenance and support needed to maintain high quality facilities and assist with maintaining state of the art technology for training. Base funds help offset the increasing cost to train and credential USCG merchant mariner officers and to assist the SMAs in providing the highest quality training. In return, the American taxpayer receives well-educated and trained merchant mariners qualified to fill critical jobs within the maritime industry and provide support for national defense and emergencies. As a condition for receiving payments as regional maritime academies, SMA's agree to admit students from other states.

SIP provides funding for the program and financial assistance to selected full-time students at the SMAs to obtain a maritime education that includes a Bachelor's degree and a USCG Merchant Mariner Credential (MMC) with an officer endorsement. SIP students receive an annual stipend currently of \$8,000 per year, for a maximum of \$32,000 for four years in return for post-graduation service obligations. The graduates of SIP also serve in a reserve component of the U.S. Armed Forces for eight years (starting with incoming class of 2017, and six years for all prior enrollees) or serve on active duty in the U.S. Armed Forces or uniformed services (National Oceanographic and Atmospheric Administration (NOAA) or the Public Health Service (PHS))

following graduation. Students must graduate, obtain a USCG Credential with an officer endorsement and fulfill the following service obligation requirements:

1. Report annually to MARAD on fulfillment of their service obligation, until completed.
2. Maritime Employment for three years; priority to sail on Merchant Mariner Credentialed U.S.-flag vessels.
3. Maintain a valid USCG MMC with an officer endorsement for at least six years.
4. Serve as a commissioned officer in a reserve component of the U.S. Armed Forces for at least eight years. (Requirement changed from six to eight years, November 2015)

Graduates may also fulfill items 2 and 4 above by serving on active duty as a commissioned officer in the U.S. Armed Services or as a NOAA or PHS officer. Additionally, the U.S. Army and National Guard have identified billets in the Army Reserve and the National Guard where SIP graduates can utilize their maritime skills and education to meet their obligation.

In accordance with 46 U.S.C. § 51504 and § 51506, the National Defense Reserve Fleet training ships are on loan from MARAD to each of the six SMAs under a custodial agreement. The quality and length of sea time Midshipmen/Cadets receive aboard the training ships is a critical educational component in qualifying the students to take the USCG MMC examination. Without adequate sea time, students cannot take the required USCG licensing exam. The ships are utilized as academic and seagoing laboratories for license coursework and practical hands-on training for the merchant mariner licensed officer training programs at each maritime academy. This is training that can't be replaced with simulation or classrooms to satisfy the Standards for Training Certification and Watchkeeping (STCW) competencies and assessment of student learning throughout the four-year education. Shipboard operational training is further reinforced during the normal academic year by using the ship as a floating laboratory when the ship is not on an annual training cruise.

MARAD is mandated by law to maintain each ship in a state of good repair to ensure that high standards of safety are maintained for all Midshipmen/Cadets and personnel on the ships and to be compliant with environmental requirements. MARAD's policy is to comply with International Maritime Organization (IMO) regulations to the maximum extent practicable.

Training Ship Maintenance and Repair is provided to offset regulatory, statutory and convention surveys, inspections, repair and maintenance; including dry-docking and internal structure exams. This payment is also used for routine, non-regulatory maintenance and repair of mission-critical systems such as galley, habitability infrastructure and accommodations. The Training Ship Maintenance and Repair funds are used for recurring or periodic capital preservation projects, and mission-related capital reinvestment to prevent the accumulation of deferred maintenance, delaying or preventing catastrophic equipment/machinery failure or loss.

The SMA program is necessary in order to produce a sufficient quantity and quality of mariners to support the needs of the United States. The United States is narrowly meeting the current requirement for merchant mariners and must maintain an uninterrupted supply of qualified mariners for both current and future needs. The pipeline of USCG credentialed officers is

critical to provide crew for commercial and military support vessels and lead the maritime industry. Annually, USMMA and the SMAs graduate approximately 960 unlimited license officers.

What does this funding level support?

The FY 2018 President's Budget request of \$27.4 million will fund mariner training and sea time requirements to meet new and existing IMO STCW¹ competencies to help ensure sufficient highly trained merchant mariners. The requested funds will provide support for the following: SIP (\$2.4 million), Direct SMA Support to each of the schools for maintenance support (\$3.0 million), and Training Ship Maintenance and Repair (\$22.0 million) to maintain the six SMA training ships to USCG and IMO compliant condition.

STUDENT INCENTIVE PROGRAM (SIP)

The FY 2018 request of \$2.4 million for the SIP will help support the operations of the program, enrollment of up to 300 students (current annual stipend of \$8,000 each for a maximum of four years) at the six SMAs to meet the validated requirements of the U.S. Navy Reserve's Strategic Sealift Officer Program (SSOP), U.S. Army and U.S. National Guard, when combined with the anticipated number of USMMA graduates. The Department of the Navy SSOP has established an annual requirement of at least 220 reserve officers entering the program upon graduation from SMAs and USMMA. Based on the current number of graduates entering SSOP from USMMA, approximately 70-75 SMA graduates are required annually to meet the total SSOP accession requirement. The SIP funding will be used primarily for SIP payments to students. However, a portion of the program funding may be used to promote student awareness and participation in the SIP program. The costs of administering the SIP and monitoring service obligations are funded from the Operations and Training appropriation.

The SIP promotes there being a robust pool of USCG credentialed officers in the U.S. Merchant Marine that is readily available to crew surge government sealift vessels, should normal crewing processes fail². Annually, approximately 23 percent of USMMA graduates and four percent of all unlimited license SMA graduates enter active duty in the U.S. Armed Forces, and therefore are not commissioned into the reserve component of the SSOP.

¹ The IMO amended the STCW Convention and STCW Code on June 25, 2010. These amendments entered into force for ratifying countries on January 1, 2012. The USCG published a final rule on December 24, 2013, that implements STCW, including the 2010 amendments. The rule provides for a transition period for the new requirements, to facilitate full compliance with the requirements by January 1, 2017. Mariners needed to have provided proof of completion of the required training to USCG by December 31, 2016 or their STCW endorsement will no longer be valid.

² The normal process for crewing a vessel involves calling for specific billets on a particular ship at a union hall when a crewmember is due to rotate off the ship and a relief is needed. Sometimes, companies are able to arrange for permanent crews with the unions and reliefs are done more routinely. Others use company based unions and run their own crew changes.

The SIP graduates' maritime skills and education are utilized in support of the U.S. Armed Forces through these reserve programs. SIP funding is provided to students to be used for uniforms, books, tuition and subsistence in return for a service obligation.

DIRECT SMA SUPPORT

The President's Budget requests of \$3.0 million in FY 2018 will provide the maximum authorized level per 46 U.S.C. § 51505 for maintenance and support of \$500 thousand to each of the six SMAs. The academies rely on these funds to help implement increasing domestic and international training requirements which increase the overall costs to train mariners. These funds also strengthen the ability of SMAs to maintain high quality facilities and assist in maintaining state of the art technology for Cadet instruction and education.

TRAINING SHIP MAINTENANCE & REPAIR


The President's Budget requests \$22.0 million to maintain the six SMA school ships in a state of good repair and to ensure that safety and environmental standards are met as required by 46 Code of Federal Regulations Part 167. The training ships are required to be in full compliance with USCG, American Bureau of Shipping (ABS) and, to the maximum extent practicable, IMO statutes, rules, and regulations. Training Ship Maintenance and Repair is provided for preventive vessel maintenance, dry-dockings, repair or replacement of failed and unsupportable equipment, and regulatory and safety inspections.


The SMAs and MARAD must continually update the ships systems to remain safe and effective educational platforms. The SMA's capacity to graduate USCG credentialed officers is directly proportional to the total number of SMA training ships available. The Department of Transportation, through MARAD, owns and maintains the six training ships on loan to the respective SMAs for the training of credentialed merchant marine officers. Although all of the responsibility and the majority of the costs are borne by MARAD, the requested funds do not cover the entirety of vessel operating and maintenance expenses and the SMAs must expend their own resources on their respective training ships. Each SMA has its own unique training program which is approved by the USCG to meet STCW requirements. The program consists of shore-based academics and simulators as well as shipboard training modules. Simulators and labs comprise a portion of each school's training program but actual time at sea is still required in order to meet USCG requirements for licensed merchant mariner credentials. A training ship is part of each SMA's USCG approved curriculum. School ships combine the benefits of a classroom with the realism of actual shipboard operations.


Commercial ship operators typically plan for a vessel service life of 20-30 years. ABS approaches vessel design plan reviews with an expected service life of 20 years. Key replacement parts such as switchboard breakers and main engine spares are generally supported for this amount of time. The average age of the school ship fleet is 38 with the oldest ship, TRAINING SHIP (TS) EMPIRE STATE, being 56 years old. Maintenance costs increase with the life of the vessel due to a variety of reasons such as normal wear and tear, corrosion, and the availability of spare parts and service technicians. Supportability becomes an issue in nearly every system as the vessels age which drives up repair costs and increases the potential for delays in sourcing spare parts when equipment does fail.



Sustainment costs for the school ships continue to rise as the vessels age and equipment wears out, becomes obsolete and is no longer supported, or fails to meet current regulatory requirements. MARAD is using the requested funds to address priority maintenance across all the aging training vessels, with priority emphasis on the TS EMPIRE STATE, to ensure that they all meet safety and functional requirements and remain in service as long as possible. The TS EMPIRE STATE is currently operating eight years beyond its designed extended service life and must be maintained in a condition of good repair to ensure the safe operation of the vessel and adequacy of its training function.

There is already a backlog within the SMA school ships of maintenance items and obsolete equipment requiring replacement. A reduction in the requested funds will further defer maintenance which could lead to a reduced service life of the ship and higher overall lifecycle costs, particularly with steel preservation projects. Deferring maintenance increases the risk that the ship will not be materially ready to safely and reliably perform a training cruise. If the reduction is significant, it will also prevent major service life extension projects such as the repowering of the TS STATE OF MAINE. There is also the possibility of failing to meet USCG and IMO regulatory requirements which could result in the ship's Certificate of Inspection being suspended or revoked which would remove the ship from service until corrected.

TS EMPIRE STATE – SUNY Maritime College		
 <p>The FY 2018 request includes \$5.2 million for preventive maintenance, regulatory fees, repairs, and equipment upgrades. Planned upgrades include a more robust life raft system, fire detection system, and sewage holding tank. The 56-year-old vessel is eight years beyond its original retirement date. The estimated end of useful service life date is 2019.</p>	Length overall/Beam/Draft:	565' / 76' / 25'
	Speed / Fuel:	22 knots / IFO-180
	Complement: Cadets/Officers/Crew	666 Cadets/ 122 Crew
	Propulsion System:	Steam Boiler/Turbine
	Keel Laid / Age:	1961/56
	Converted to Training Ship:	1988-1989
	Original Designation:	Break Bulk Cargo Ship
	Home Port:	Ft. Schuyler, Bronx, NY

TS KENNEDY – Massachusetts Maritime Academy		
 <p>The FY 2018 request includes \$3.0 million for preventative maintenance, regulatory fees, repairs, and equipment upgrades. The 51-year-old ship completed an extended yard period in 2009 to add additional capacity. The estimated end of service life date is 2025.</p>	Length overall/Beam/Draft:	540' / 76' / 27.5'
	Speed / Fuel:	20 knots / IFO-180
	Complement: Cadets/Officers & Crew	600 Cadets/110 Crew
	Propulsion System:	Steam Boiler/Turbine
	Keel Laid / Age:	1966/51
	Converted to Training Ship:	2002/2009
	Original Designation:	Break Bulk Cargo Ship
	Home Port:	Buzzards Bay, MA

TS GENERAL RUDDER – Texas A&M Maritime Academy		
 <p>The FY 2018 request includes \$900 thousand for preventative maintenance, regulatory fees, repairs, logistics support, and equipment upgrades. The estimated end of useful service life date is 2035.</p>	Length overall/Beam/Draft:	224' / 43' / 16'
	Speed / Fuel:	11 knots / MDO
	Complement: Cadets/Officers/Crew	50 Cadets/15 Crew
	Propulsion System:	Diesel Electric
	Keel Laid / Age:	1984/33
	Converted to Training Ship:	2012 delivered
	Original Designation:	Ocean Surveillance
	Home Port:	Galveston, TX

TS STATE OF MICHIGAN – Great Lakes Maritime Academy		
 <p>The FY 2018 request includes \$800 thousand for preventative maintenance, regulatory fees, repairs, and equipment upgrades. The 32-year-old ship has the cadet berthing capacity required to support Great Lakes Maritime Academy. Operating in fresh water results in significantly lower maintenance costs for steel and coatings. The estimated end of useful service life date is 2045.</p>	Length overall/Beam/Draft:	224' / 43' / 16'
	Speed / Fuel:	11 knots / MDO
	Complement: Cadets/Officers &Crew	64 Cadets/9 Crew
	Propulsion System:	Diesel Electric
	Keel Laid / Age:	1985/32
	Converted to Training Ship:	2004
	Original Designation:	Ocean Surveillance
	Home Port:	Traverse City, MI
TS STATE OF MAINE – Maine Maritime Academy		
 <p>The FY 2018 request includes \$5.1 million to support a dry docking, engineering work, and procure long-lead items for the main propulsion drive train replacement, preventative maintenance, and regulatory inspection fees. The main propulsion diesel engine installed during the 1996 conversion is 34 years old and is rapidly nearing the ending of its service life. The critical upgrade for this vessel is to replace the existing main propulsion system to a modern diesel propulsion plant. The estimated end of useful service life date is 2035.</p>	Length overall/Beam/Draft:	500' / 72' / 30'
	Speed / Fuel:	16 knots/MDO & IFO-180
	Complement: Cadets/Officers &Crew	244 Cadets/54 Crew
	Propulsion System:	Diesel, Geared Drive
	Keel Laid / Age:	1990/27
	Converted to Training Ship:	1996-1997
	Original Designation:	Oceanographic Research
	Home Port:	Castine, ME

TS GOLDEN BEAR – California Maritime Academy		
 <p>The FY 2018 request includes \$7.0 million for preventative maintenance, regulatory fees and support, repairs, service life extensions, improvements, and ship support. The estimated end of useful service life date is 2035.</p>	Length overall/Beam/Draft:	500' / 72' / 30.5'
	Speed / Fuel:	18 knots / MDO
	Complement: Cadets/Officers/Crew	295 Cadets/85 Crew
	Propulsion System:	Diesel, Geared Drive
	Keel Laid / Age:	1989/28
	Converted to Training Ship:	1995-1996
	Original Designation:	Oceanographic Research
	Home Port:	Vallejo, CA

What benefits will be provided to the American Public through this request?

A strong commercial merchant marine fleet is a long-standing objective of the United States, one that is owned and operated by U.S. citizens, employing U.S. mariners in high value jobs. The U.S. Merchant Marine is a National Resource; essential for maintaining the sealift capacity required to support economic growth and national defense.

The best strategy to ensure that the United States can provide the national economic security and strategic sealift support that would be critical in future conflict is a strong commitment to:

- Train highly skilled mariners;
- Support U.S.-flag vessel in commercial operations; and
- Maintain commercial U.S. shipbuilding capacity.

Federal government support of mariner education helps equip future merchant marine officers, providing a high quality, college-level education and technical training. Funding allows MARAD to ensure the U.S. has a continuous supply of capable and well-trained U.S. merchant mariners. The SMAs provide students, from across the socio-economic spectrum, a high quality – nationally recognized – education and the necessary training to become USCG credentialed officers in the U.S. Merchant Marine. Nearly 100 percent of each graduating class is employed within the first three months of graduation and are in quality, high-paying jobs that support the transportation industry. More than 40,000 American vessels of various types, built in American shipyards and crewed by U.S. citizen mariners, operate in U.S. waters in different segments of the industry such as offshore, coastal, inland rivers and the Great Lakes, and in domestic Jones Act trades. This directly creates approximately 82,000 U.S. jobs in the commercial shipbuilding and domestic waterborne transportation industries, and resulted in \$34.3 billion in U.S. economic output, \$7.2 billion in U.S. labor compensation, and an estimated \$2.6 billion in taxes at the Federal, state and local levels, in 2011 (Source: Study by Pricewaterhouse Coopers for the Transportation Institute).

EXHIBIT II-2

FY 2019 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
MARITIME ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(\$000)

<u>ACCOUNT NAME</u>	<u>FY 2017 ACTUAL</u>	<u>FY 2018 ANNUALIZED CR</u>	<u>FY 2019 REQUEST</u>
1. Operations and Training	<u>\$175,560</u>	<u>\$174,367</u>	<u>\$152,428</u>
A. U.S. Merchant Marine Academy	83,218	82,652	74,593
B. State Maritime Academies	29,200	29,002	24,400
C. School Ship Replacement Program	6,000	5,959	-
D. MARAD Operations & Programs	57,142	56,754	53,435
2. Assistance to Small Shipyards	<u>\$10,000</u>	<u>9,932</u>	<u>-</u>
3. Ship Disposal Program	<u>\$34,000</u>	<u>\$33,769</u>	<u>\$30,000</u>
A. Ship Disposal	7,000	6,952	2,000
B. NS SAVANNAH	3,000	2,980	3,000
C. NS SAVANNAH Decommissioning	24,000	23,837	25,000
4. Maritime Security Program	<u>\$300,000</u>	<u>\$297,963</u>	<u>\$214,000</u>
5. Maritime Guaranteed Loans Program	<u>\$3,000</u>	<u>\$2,980</u>	<u>-</u>
A. Administrative Expenses	3,000	2,980	-
TOTAL	<u>\$522,560</u>	<u>\$519,011</u>	<u>\$396,428</u>